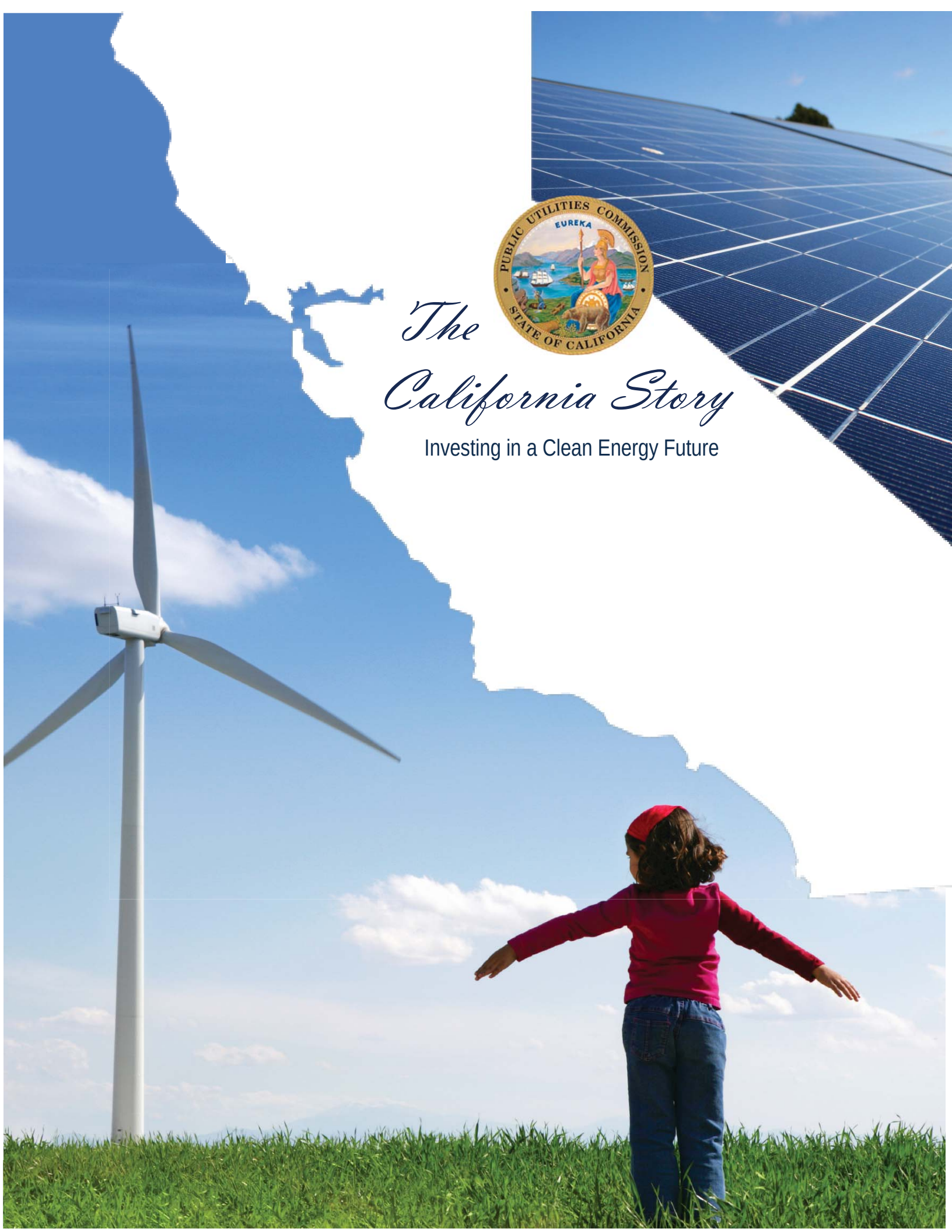


The California Story

Investing in a Clean Energy Future

Global Warming

California is the 8th largest economy in the world and home to over 37 million people.

Energy needs in the state continue to grow to support economic prosperity and a high quality of life. As energy needs increase, so does the problem of rising greenhouse gas emissions from energy generation, contributing to global warming or "climate change."

California's regulators and policy makers are committed to supporting the state's growing energy needs in a clean, low cost manner. On September 27, 2006, Governor Arnold Schwarzenegger signed into law the legislatively-adopted Global Warming Solutions Act (AB 32). The Act caps California's greenhouse gas (GHG) emissions at 1990 levels by 2020. This legislation represents the first enforceable state-wide program in the United States to cap all GHG emissions from major industries.

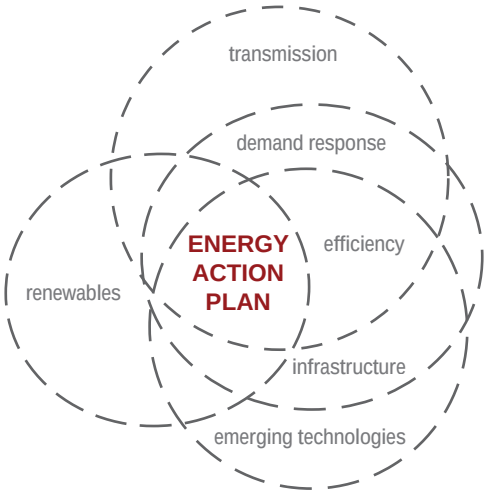
The California Public Utilities Commission (CPUC) plays a key role in making California a national and international leader on energy initiatives and policies designed to benefit consumers, the environment, and the economy. California stands as a unique and important leader in the fight against global warming and in advancing clean energy solutions for a healthy environment and economy.

Action

In 2003, California's key energy agencies—the California Energy Commission and the California Public Utilities Commission— joined together in a spirit of unprecedented cooperation to adopt an **Energy Action Plan**. Updated in 2005 with the addition of the California Independent System Operator, the Plan identifies specific goals and actions to avoid energy outages and excessive price spikes in electricity and natural gas, while maintaining strict standards for reducing greenhouse gas emissions. California energy agencies join quarterly in public meetings to track their progress on the Plan.

Chapter One

Planning Energy Action



The Energy Action Plan aims to ensure that adequate, reliable, and reasonably priced electrical power and natural gas supplies are achieved and provided through policies, strategies, and actions that are cost-effective and environmentally sound for California's consumers. The Plan is a living blueprint for stewardship of California's energy future that state agencies use to give their efforts direction, focus, and precision.

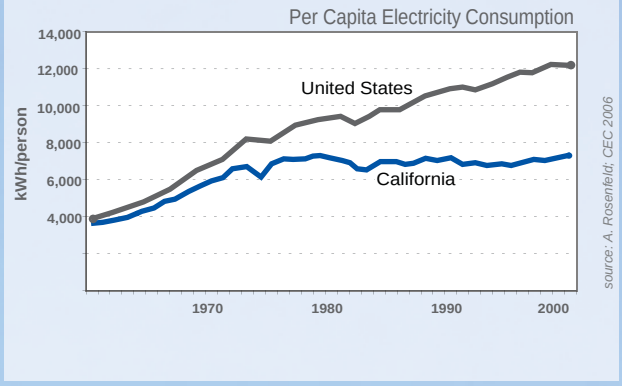
The Energy Action Plan adopts a "loading order" of preferred energy resources to meet the state's needs. Energy efficiency and demand response activities are the first steps in the loading order to satisfy the energy needs of California's growing population. The second step for preferred supply-side solutions is using renewable energy resources—such as wind, solar, geothermal, and biomass (fuel from plant matter and organic wastes)—over fossil fuels.

The Plan also identifies the need for new generation infrastructure and transmission capability in the state to advance clean energy.

Chapter Two
Saving Energy

Energy efficiency is California's highest priority resource for meeting its energy needs in a clean, reliable, and low-cost manner. With initiatives dating back to the 1970's, California is a world leader in reducing electricity consumption through advanced technology, energy-efficient building design, and programs to promote efficiency to consumers. The CPUC has a long-standing "decoupling" policy to ensure that utilities retain their expected earnings even as energy efficiency programs reduce electricity sales.

In 2005, the CPUC created the most ambitious energy efficiency and conservation campaign in the history of the United States, approving $2 billion in energy efficiency funding for the state's utilities for 2006-2008. The state continues to build on its history of success in cost-effective energy efficiency as the first line of defense against power shortages and first priority in emissions reduction. Energy efficiency efforts in California will eliminate the need for 10 new power plants and save 9 million tons of CO2 emissions (equal to 1.8 million cars) by 2013. Energy efficiency will also save California consumers $10 billion over the next decade.



Energy efficiency is California's highest priority resource.

Demand response programs enable consumers in California reduce their use of electricity during times of peak demand, enhancing system reliability, reducing individual consumer costs, and protecting the environment. "Demand response" refers to pricing and technical methods to reduce power demand, to manage load and maintain a reliable electric supply during emergencies and high demand periods when resources are scarce or expensive. California's successful demand response programs benefit all consumers by promoting efficiency and stability in electricity markets, and avoiding the need for new power investment.

Chapter Three

Advancing Renewable Energy

California has the most ambitious renewable goals in the nation. State law and the Energy Action Plan set goals and specific actions for California's utilities to obtain 20 percent of their power supply from renewable sources by 2010.

The CPUC oversees investor-owned utility progress toward meeting the 2010 targets and achieving the Governor's goal of 33 percent renewable energy by 2020.

California's utilities to obtain 20 percent of their power supply from renewable sources by 2010.

Promoting Solar Power - The California Solar Initiative

Solar energy is one of California's most abundant renewable resources. As part of Governor Arnold Schwarzenegger's plan to implement solar on one million buildings, California has set a goal to create 3,000 megawatts of new, solar-produced electricity by 2017. The CPUC led the way and adopted the California Solar Initiative in January 2006, whereby the state's utility rate payers help to lower the cost of solar systems. California Senate Bill 1 fixed this initiative as state law, adding public utilities to ensure solar incentives are available across the state. California's comprehensive solar policy package has strong bi-partisan and public support.

The CPUC leads in its design of performance-based incentives to target two-thirds of the statewide goal. This approach rewards the best functioning solar installations, while also encouraging energy efficiency upgrades. Consumer-friendly tools to understand rebates and returns on investment in solar systems also make accessing solar energy easier for consumers.

Chapter Four

Reducing Emissions

Electricity regulators in California strive to adopt innovative policies that support cleaner production across all energy resources. While energy policies favor efficiency and renewable energy sources, standards are also designed to prevent increased greenhouse gas emissions by California's electricity "load serving entities," such as investor-owned utilities, energy service providers, and community choice aggregators.

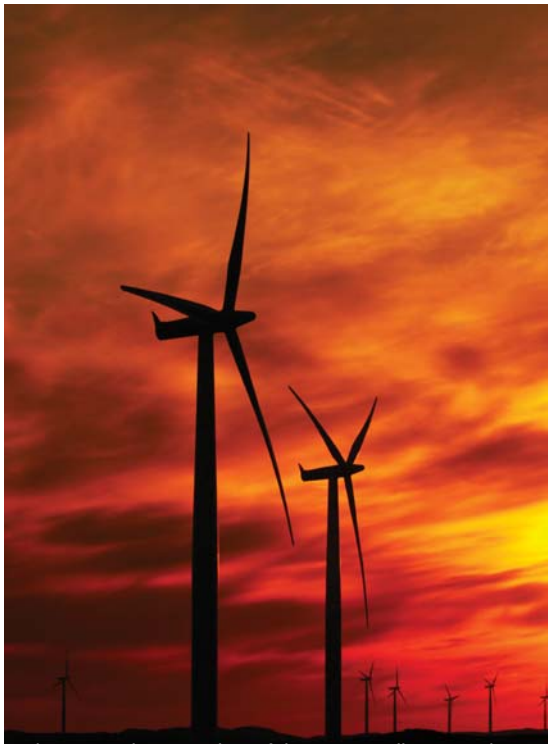
In 2004, the CPUC adopted a policy requiring the state's investor-owned utilities to account for the financial risk associated with greenhouse gas emissions when evaluating new fossil fuel resource investments. This "Greenhouse Gas Adder" of $8 per ton of carbon dioxide is used by the utilities as an additional cost consideration in long-term planning or procurement (five years or more).

In 2007, the CPUC instituted a greenhouse gas Emissions Performance Standard for new contracts with electricity generation facilities. Mandated by Senate Bill 1368, the standard, also known as the "EPS," ensures that any long-term baseload power commitments to meet California's energy needs are at least as clean as a natural gas-fired plant using combined cycle turbine technology.

The Emissions Performance Standard avoids increases in current greenhouse gas emissions levels.

The Emissions Performance Standard

avoids increases in current greenhouse gas emission levels while the more comprehensive emissions limit for the electric sector and the state is being designed and implemented. This limit or "cap" on emissions is called for under California's landmark global warming legislation (AB 32).



The CPUC is a member of the state's Climate Action Team and Climate Action Registry and works to track and reduce its own energy use and agency emissions.

Chapter Five

Investing in Emerging Technologies and Transmission

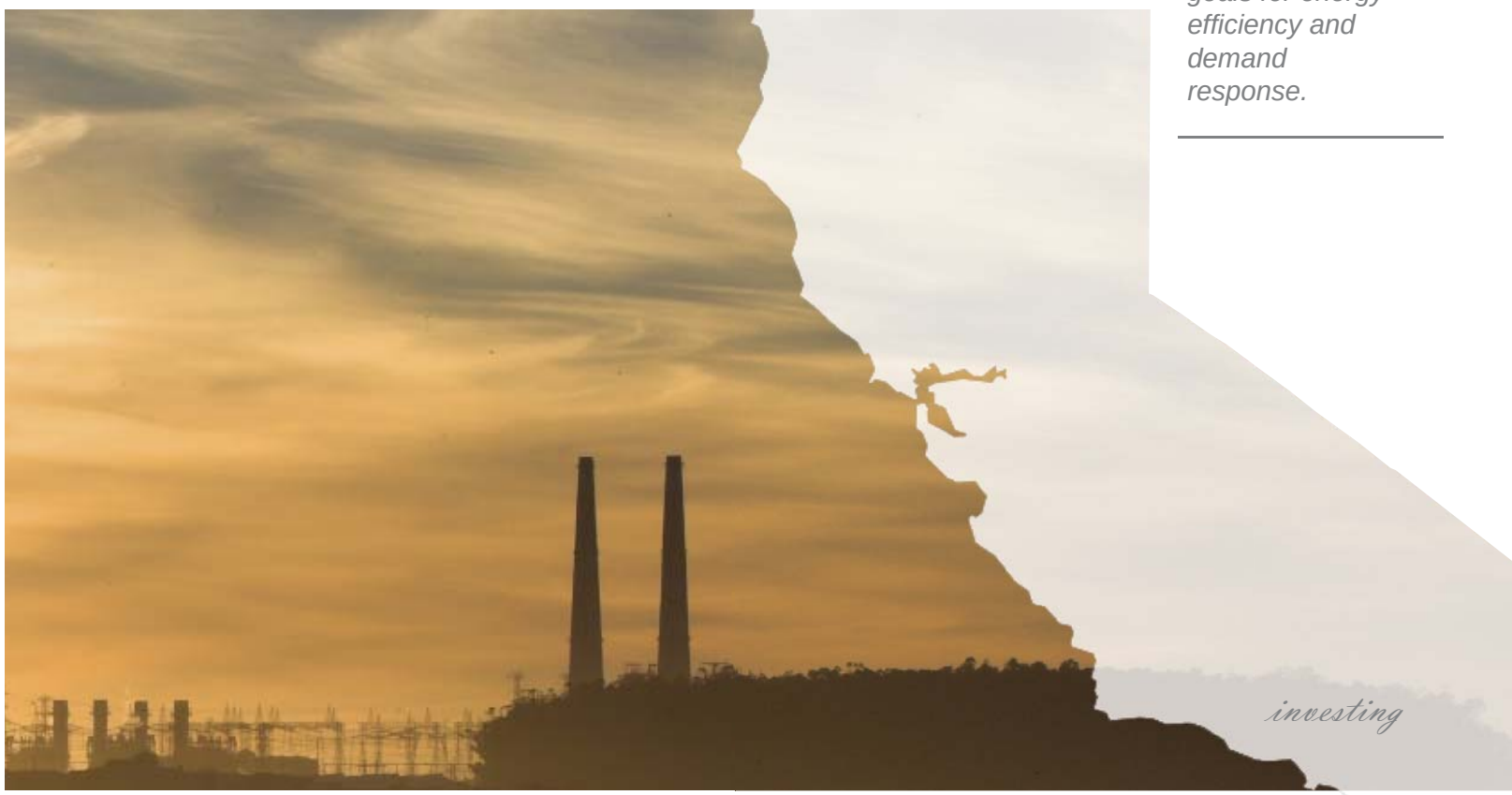
The CPUC has authorized distribution tariffs since 2001 to fund utility incentives for customer-owned clean generation such as fuel-cells and solar energy.

California's leading energy efficiency practices are combined with significant investment in emerging technologies to ensure promising new technologies develop to meet demand. The CPUC approved $11 million per year of funding support for emerging energy efficiency technologies for 2006 through 2008. It also created the California Clean Energy Fund to make investments in new clean energy technologies and foster leadership in energy efficiency.

Reliable and reasonably priced electricity from renewable resources depends on a well-maintained and sufficient transmission and distribution system. California concentrates resources on planning, permitting, and funding processes to assure that necessary improvements and expansions are made to the system. Since 2001, the CPUC has approved over 10,000 MW of transmission expansion projects and works closely with the California Independent System Operator to coordinate decision making on upgrades and new projects, and support for tariffs that promote the use of renewables.

The CPUC embarked on an ambitious plan to replace conventional customer electric meters throughout California with an Advanced Metering Infrastructure (AMI), giving customers new access to information and greater control over their energy use and bills. AMI empowers customers to make informed, intelligent choices about their electricity use.

Deployment of "smart meters" and new technology in electric metering advances California's goals for energy efficiency and demand response.



Global warming is one of the most serious threats to our environment in human history. The CPUC works to implement the innovative strategies, policies and plans to reduce greenhouse gas emissions supported by the state's government, residents and businesses. California continues in its legacy of energy efficiency and cutting-edge efforts to improve its competitive technological edge, build a sustainable economy, and protect its priceless environment.

More Information

For more information on "The California Story" of state-based efforts to advance clean energy solutions for the environment and the economy, please contact the

California Public Utilities Commission
www.cpuc.ca.gov

The agencies and teams below also work to advance clean energy and reduce greenhouse gas emissions California.

Office of the Governor
www.poweringcalifornia.com

California Energy Commission
www.energy.ca.gov

California Green Action Team
www.green.ca.gov

California Climate Action Team
www.climatechange.ca.gov

California Air Resources Board
www.arb.ca.gov

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